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An AICPA publication for the local firm

DON'T BE A SITTING DUCK

I call them sitting ducks. They are the firms that so emphasize partner and manager billable hours that business development activities have effectively been bred out of their practices. They have created an environment in which no CPA could build a practice and still have a personal life.

What often happens in such situations is that while your nose is buried in busywork, aggressive competitors are courting some of your best clients. Nearly every firm can relate to stories of good clients lost without warning. The CPAs were simply too busy to manage one of their most important assets—their existing client relationships.

Of course, being too busy is often an excuse to avoid practice development activities. But for those practitioners who would truly like to find time to develop more business, here are ten techniques we have learned from some of the best business generators around the country.

Delegate everything. Make a list of all the things you do in the course of a day. Decide whether you really have to perform them personally or whether you could hire additional clerical or professional staff for some of the tasks. The best business generators often have far fewer billable hours than their nonproducing colleagues because they have delegated everything possible and use the time to bring in business and manage client relationships.

Buy a car phone. Turn off the radio when driving and talk to your clients instead. This is a good way to utilize the hour or so each day that you spend behind the wheel of a car.

Use free time. Have you noticed how some people wait in lobbies not doing anything, and how others read papers and reports during their daily commute? Always carry some item—a tape recorder, for example—so that you can use such times productively. You will be amazed at the twenty-to-forty-percent additional work time you can create and by how much you can get done.

Plan recreational time. That's right! Plan time to have fun for yourself and with family and friends. We CPAs tend to become so busy that we often eliminate the fun activities from our lives. Our families suffer as a result, and so do we.

Carry a pocket calendar. Carry a pocket calendar with you everywhere and use it to record appointments and ideas. Don't let anything slip by.

Plan practice development time. Start slowly. Begin by allocating one or two hours a week in which to take clients and referral sources to lunch. Then expand the time gradually. Eventually, you should be spending eight to ten hours a week managing client relationships and developing new sources of business. The secret is to have a plan and to stick with it.

Have subordinates bring answers, not problems. Staff expect you to solve their problems for them. This gets you off track and wastes time. In future, tell them to bring you an answer to the problem. Not only will this save you time, it will also help build staff members' self-confidence, and enhance their skills and career prospects.

Start every day with a prioritized plan. Remember this rule of thumb: One second spent planning equals thirty seconds in time saved. Get into the habit of spending five to ten minutes planning and ordering each day's activities.

Make it easy for clients to contact you. If you are tired of playing telephone tag and trying to decipher handwriting, invest in a voice-mail system. This will enable clients to call at any time to leave a detailed message as to their problems or needs. This eliminates your having to waste time finding out

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why they called. You can return their phone calls already prepared.

Get organized. Invest one day cleaning out your office and desk. (The fewer the distractions, the easier it is to concentrate on the job at hand.) As my father used to say, "A place for everything and everything in its place." This is still a tremendous time-saving technique.

To successfully operate their firms in the future, practitioners will have to pay special attention to nurturing client relationships and to developing new business. For many, these are time-consuming activities in what is an already busy schedule. The techniques used by some of the best business generators in the profession can make that time available and help you avoid becoming a sitting duck. ☑

— *by* **Allen S. Boress, CPA,** *SAGE, Inc., 120 S. Riverside Plaza, 15th Floor, Chicago, Illinois 60606, tel. (312) 346-8850*

National Marketing Conference Reminder

The AICPA will hold its sixth annual National Marketing Conference on June 6–7 at the Westin Hotel Copley Place in Boston, Massachusetts. The program offers a planned approach to expanding firm profits and an excellent opportunity to exchange experiences and ideas with speakers and other participants.

The conference shows you how to

- ☐ Gain client recognition for quality service.
- ☐ Market in a multiple-office firm.
- ☐ Train partners to sell.
- ☐ Conduct client surveys.
- ☐ Use a full-time salesperson.
- ☐ Learn selling techniques.
- ☐ Use public relations.
- ☐ Set up internal marketing departments.

The registration fee is $500. For further information, call the AICPA meetings department, (212) 575-6451.

Answers to Your Most Frequently Asked Staff Management Questions

In the course of their work with CPA firms around the country, consultants to the profession are often party to successful solutions to common problems, and see how a number of firms handle various situations. A few months ago, Donald B. Scholl, a West Chester, Pennsylvania-based consultant was at the Institute offices in New York. We asked him to respond to some practitioners' questions concerning the management of staff. The first question asked whether most firms used employment applications for professional staff or was a résumé sufficient.

Mr. Scholl said that, in terms of the conversations he has had with practitioners, the majority are not using employment applications. He says there is some concern application forms might be out-of-date relative to current legal requirements. Firms believe that the really important information is on the applicant's résumé, and they are more comfortable obtaining any needed details during the interview. (See editor's note.)

Another practitioner asked whether, in a multi-office operation, staff evaluation should be conducted by the managing partner or the partner in charge, or whether the responsibility should be shared among all partners.

Mr. Scholl said that, to some degree, the responsibility is determined by the extent to which individual partners have work opportunities with staff accountants in the different offices. To be able to do an adequate job on performance evaluation, the partner must have had a significant working relationship with that staff person. If office location or the nature of the practice result in little crossover from office to office, the burden will fall on the shoulders of the partner in charge of the individual office. Mr. Scholl added that there would need to be a review by the managing partner to make sure that one partner was not being unduly harsh in evaluating staff compared with other partners.

Another question—one that often comes up—was, How can we train staff to become managers? Mr. Scholl responded that he thought staff accoun-

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Highlights of Recent Pronouncements

FASB Statement of Financial Accounting Standards

No. 106 (December 1990), *Employers' Accounting for Postretirement Benefits Other Than Pensions*

- ☐ Establishes financial accounting and reporting standards for an employer that offers postretirement benefits other than pensions to its employees.
- ☐ Applies to *all* postretirement benefits expected to be provided by an employer to current and former employees, their beneficiaries, and covered dependents, pursuant to the terms of an employer's undertaking to provide those benefits.
- ☐ Significantly changes the prevalent current practice of accounting for postretirement benefits on a pay-as-you-go (cash) basis by requiring accrual, during the years that the employee renders the necessary service, of the expected cost of providing those benefits to an employee and the employee's beneficiaries and covered dependents.
- ☐ Improves employers' financial reporting for postretirement benefits by enhancing:
  1) The relevance and representational faithfulness of the employer's reported results of operations by recognizing net periodic postretirement benefit cost as employees render the services necessary to earn their postretirement benefits;
  2) The relevance and representational faithfulness of the employer's statement of financial position by including a measure of the obligation to provide postretirement benefits based on a mutual understanding between the employer and its employees of the terms of the underlying plan;
  3) The ability of users of the employer's financial statements to understand the extent and effects of the employer's undertaking to provide postretirement benefits to its employees by disclosing relevant information about the obligation and cost of the postretirement benefit plan and how those amounts are measured;
  4) The understandability and comparability of amounts reported by requiring employers with similar plans to use the same method to measure their accumulated postretirement benefit obligations and the related costs of the postretirement benefits.
- ☐ Adopts three fundamental aspects of pension accounting:
  1) Delayed recognition of certain events;
  2) Reporting net cost;
  3) Offsetting liabilities and related assets.
- ☐ Addresses the accounting issues related to measuring and recognizing the exchange transaction that takes place between an employer that provides postretirement benefits and the employees who render services in exchange for those benefits.
- ☐ Requires that an employer's obligation for postretirement benefits, expected to be provided to or for an employee, be fully accrued by the date that the employee attains full eligibility for all of the benefits expected to be received by that employee, any beneficiaries, and covered dependents, even if the employee is expected to render additional service beyond that date.
- ☐ Supersedes FASB Statement No. 81, *Disclosure of Postretirement Health Care and Life Insurance Benefits.*
- ☐ Rescinds FASB Technical Bulletin No. 87-1, *Accounting for a Change in Method of Accounting for Certain Postretirement Benefits.*
- ☐ Amends APB Opinion 12, *Omnibus Opinion—1967,* to explicitly require that an employer's obligation under deferred compensation contracts be accrued following the terms of the individual contract over the required service periods to the date the employee is fully eligible for the benefits.
- ☐ Amends APB Opinion 16, *Business Combinations.*
- ☐ Amends FASB Statement No. 87, *Employers' Accounting for Pensions.*
- ☐ Effective for fiscal years beginning after December 15, 1992, except that the application to postretirement benefit plans outside the United States and certain small, nonpublic employers is delayed to fiscal years beginning after December 15, 1994. The amendment of APB Opinion 12 is effective for fiscal years beginning after March 15, 1991.

Statements of the Governmental Accounting Standards Board

No. 13 (May 1990), *Accounting for Operating Leases with Scheduled Rent Increases*

- ☐ Establishes standards of accounting and financial reporting by state and local governmental entities for operating leases with scheduled rent increases, regardless of the fund type used to report the lease transactions.

☐ Requires governmental entities to account for operating leases with scheduled rent increases by using the terms of the lease contract when the pattern of the payment requirements is systematic and rational.

☐ Effective for leases with terms beginning after June 30, 1990, unless otherwise stated. Retroactive application for leases with terms beginning before July 1, 1990 is permitted.

Statements on Auditing Standards

No. 65 (April 1991), *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements*

☐ Supersedes SAS No. 9, *The Effect of an Internal Audit Function on the Scope of the Independent Audit.*

☐ Provides the auditor with guidance on considering the work of internal auditors and on using internal auditors to provide direct assistance to the auditor in an audit performed in accordance with generally accepted auditing standards.

☐ Effective for audits of financial statements for periods ending after December 15, 1991. Early application of the provisions is permissible.

No. 64 (December 1990), *Omnibus Statement on Auditing Standards—1990*

☐ Amends SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern,* paragraphs 12 and 13, to clarify required language that the auditor should include in an explanatory paragraph that describes his or her substantial doubt about an entity's ability to continue as a going concern.

☐ Amends SAS No. 58, *Reports on Audited Financial Statements,* paragraph 83, to modify the explanatory language for the auditor when the financial statements reported on by the predecessor auditor are restated and the predecessor's audit report is not presented.

☐ Amends SAS No. 1, section 543, *Part of Audit Performed by Other Independent Auditors,* paragraph 16, to modify the explanatory language for the auditor who, following a pooling-of-interests transaction, is asked to report on restated financial statements for one or more prior years when other auditors have audited one or more of the entities included in such financial statements.

☐ Effective for reports issued after December 31, 1990.

Information for Members

Technical information

The primary responsibility of the eleven people who staff the Institute's technical information service is to answer members' questions on technical matters. They receive some 48,000 inquiries per year on accounting principles, financial statement presentation, auditing and reporting standards, and certain aspects of professional practice, excluding tax and legal matters. If you would like some assistance, we encourage you to call toll-free: United States, (800) 223-4158; New York State, (800) 522-5430.

Library services

The AICPA library's staff can offer assistance on a broad range of business topics. AICPA members anywhere in the U.S. may borrow from the library's extensive collection. For assistance, just call these toll-free numbers: United States, (800) 223-4155; New York State, (800) 522-5434.

Please note that toll-free calls cannot be transferred to other Institute departments.

Total On-Line Tax and Accounting Library (TOTAL)
NAARS accounting and financial data library

Subscribers have access to different types of files in the Institute's NAARS library. These are corporate and local governmental annual reports, including financial statements and notes, auditors' opinions, and all current and superseded authoritative and semi-authoritative literature from the AICPA, FASB, GASB, and SEC. TOTAL subscribers can also access tax and other information. For further information, just call Hal Clark: (212) 575-6393.

Staff management questions *(continued from page 2)*
tants would be less reluctant to accept management responsibilities if they were better trained in management skills. Specifically, staff training programs provided by the firm should include instruction in communicating, effective leadership, problem solving, and motivating others. In addition, staff members should be expected to assume some personal responsibility for increasing their knowledge and skills. They should be encouraged, for example, to read articles and books on organizational procedures and behavioral sciences, and to attend appropriate night school and adult education courses.

Perhaps the most important element in getting staff accountants to accept management responsibilities is the need for the partners and senior managers to take a more active part in counseling them. Mr. Scholl says this means spending time with younger staff members, talking about topics other than just the application of professional standards, and working on the skills needed to be the future leaders of the firm, for example. He thinks the best way for staff to learn is through on-the-job training, emphasizing coaching and counseling by successful senior members of the firm. He says it is a time-consuming process, but one that significantly influences the future of the organization.

The third question was in two parts: Is the employment of a firm administrator justified in a two-office firm with gross revenues of $1½ million in each office? Also, where should the administrator be located?

"Yes," was the quick response. "Employment of a firm administrator is clearly justified based solely on the volume." Mr. Scholl thinks it is entirely possible that this person could serve as the administrator of the office where he or she works. What is a typical arrangement in that situation, he says, is to have someone on the administrative staff in the other office designated as the primary contact person with the administrator who is handling firmwide responsibility. Mr. Scholl says he would be surprised if a full-time administrator were not justified in a firm of that description.

The final question on staff management was another one that crops up frequently: Is there a standard arrangement for compensating staff for bringing in new business?

Mr. Scholl said there is no standard arrangement, but rather quite an extraordinary range of incentive compensation programs used by firms around the country. He said that while some firms don't pay bonuses for bringing in new clients, practice development efforts being reflected in regular compensation, other firms pay fairly substantial rewards. He said he believes firms can have a reward program, but its effectiveness depends on the level and self-motivation of the participating individuals.

Incentive programs must offer rewards for developing new business from present clients as well as obtaining new clients for the firm. Generally speaking, staff members below the level of manager frequently have difficulty in being able to directly acquire new clients. What Mr. Scholl thinks firms should be concentrating on with their middle- and lower-level staff members is to train and encourage them to identify additional service opportunities with present clients. He says it is these staff accountants who spend most time at the clients' locations. They talk with the clients' management and staff, and are, therefore, most likely to hear of problems and needs. Where middle- and lower-level staff accountants can do the best job of bringing new business to the firm is in notifying owners and managers of these opportunities. ☑

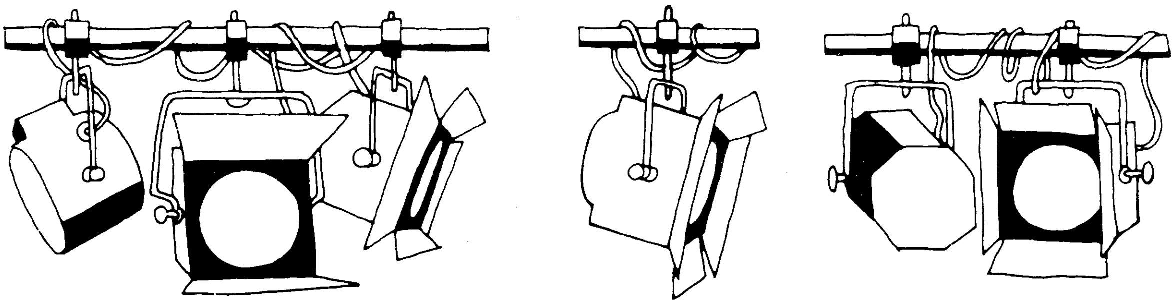
Editor's note: Practitioners who use application forms when hiring might like to refer to the article, "How to Avoid Being Sued by Job Applicants," in the September 1988 Practicing CPA. *The authors give numerous examples of questions that are dangerous or illegal under federal and state fair employment laws.*

1991 National MAS Training Programs Scheduled

Sponsored jointly by Ohio State University and the AICPA, two national MAS training programs will be held in June on the university's campus:

- ☐ *Development of MAS Skills* on June 17–21 is an intensive training introduction designed to enable an accounting firm partner or professional staff member to develop MAS skills and begin or expand in this area.
- ☐ *Advanced MAS Skills* on June 24–28 provides an advanced curriculum covering several important practice areas and skills, including strategic business planning, financial planning consulting, litigation services, MAS practice development and marketing, and effective communications.

For further information, call the program administrator: (614) 292-2328, or write to Ohio State University, College of Business, MAS Training Programs, 1775 College Road, Columbus, Ohio 43210.



Spotlight on Off-Site Reviews

"Less extensive, more limited than on-site quality reviews." "Generally not as costly." "Focuses on conformity with professional standards rather than quality control system..."

These comments bring to mind mediocre reviews of an off-Broadway play. Somehow, the vibrancy, the big-time, on-the-scene intensity of a Times Square production seems to be missing. The feeling one gets from these comments is that off-site reviews are not too exciting. And indeed, attention, so far, does seem to have centered on the on-site quality review program, leaving the off-sites in the wings.

Off-site quality reviews are available only to firms that perform reviews or compilation engagements, but don't perform audits of historical or prospective financial information. On-site reviews are of firms with audit clients. These firms affect, to a greater degree, the public interest. The big time.

Although off-sites *are* less extensive, more limited, and generally not as costly as on-sites, they should not be seen as the perpetual wanna-be. This year, the off-site review is coming into its own. The two types of review don't compete because they are different and serve different purposes. Each merits its individual time in the spotlight. You should know about these differences—and when and how to get into the act.

The right part

AICPA *Standards for Performing and Reporting on Quality Reviews* states that "... the objective of an off-site quality review is to provide the reviewer with a reasonable basis for expressing limited assurance that the financial statements and related accountant's report on the review and compilation engagements submitted for review do not depart in a material respect from the requirements of professional standards."

To meet these objectives, an off-site quality review consists of reading the historical or prospective financial statements and the compilation or review report submitted by the firm, plus certain background information and representations that the reviewed firm provides. An off-site quality review does *not* include a review of the working papers prepared on the selected compilation and review engagements, tests of the firm's administrative or personnel files, interviews of selected firm personnel, or other procedures performed in an on-site quality review.

The exclusions do not relieve a firm from its obligation to have a system of quality control appropriate to its size and the nature of its practice. And a firm can still elect to be reviewed on-site even if it is eligible for an off-site review.

Learning your cues

In the last quarter of each year, the entity administering your review sends initial scheduling information to all firms due for quality review in the next calendar year. If you indicate a preference for an off-site review, you will be asked for additional information. This would include reaffirming your firm's eligibility for an off-site review, and supplying information on the number of professionals in the firm, associations to which the firm belongs (CPA firm associations cannot arrange off-site reviews), and the desired method of review.

Generally, you have a choice of selecting a qualified reviewing firm or asking the entity administering your review to select a reviewer for you, that is, a committee-appointed review team (CART). If your choice is a qualified firm, you will be asked when you plan to send the selected engagements to the reviewer, and which firm you have selected. The administering entity will verify that the reviewer is qualified to conduct the review and send you written confirmation.

If you choose to have a CART, you will need to furnish information on the number of compilation and review clients, and on the nature of the highest level of service you provide these clients, classified by major industry and each CPA firm owner responsible for issuing review or compilation reports.

This engagement information will be used to budget your review. Costs for off-site CART reviews are generally expected to range between $400 and $800, depending on the number of engagements selected for review, and the complexity of the financial statements. (This estimate does not include any administrative fees charged by the entity administering your review.)

The cast

In the quality review program, engagements are usually selected by the reviewer based on the following criteria:

One review or compilation must involve a report on a complete set of financial statements as opposed to compilation reports on financial statements that omit substantially all of the disclosures required by Generally Accepted Accounting Principles (GAAP) or an other comprehensive basis of accounting (OCBOA) for each proprietor, partner, or shareholder responsible for issuing such reports. At least two other engagements will be selected for each firm. Both review and compilation engagements will be included if both levels of service are provided. Engagements involving clients operating in various industries and engagements involving prospective and historical financial statements will also be included.

In addition to the above, one set of financial statements that omit substantially all of the disclosures required by GAAP or an OCBOA, and the related accountant's compilation report will be selected, if applicable. If a firm's accounting practice consists only of compilation reports on financial statements that omit substantially all required disclosures, the firm will be asked to submit the financial statements and related accountant's report for two such engagements.

Showtime

Based upon the engagement information you have provided, your reviewer will ask you to submit the appropriate financial statements and accountant's report, along with specific background information about each engagement. The reviewer may ask only for engagements within certain categories, such as client classification or partner-in-charge. The reviewer will not designate specific engagements for review. You may mask the client's identity on the statements and reports if you desire. After reviewing the engagements, the reviewer will contact you to resolve any questions or issues that arise during the review and you must respond promptly. All issues must be settled prior to the issuance of the review report.

An off-site quality review does not provide the reviewer with the basis for expressing any form of assurance on your firm's quality control policies and procedures for its accounting practice. It may, however, provide the reviewer with a basis for expressing a conclusion that your firm did not have reasonable assurance of conforming with professional standards in the conduct of its accounting practice during the year under review (an adverse report). In those circumstances, your firm will be expected to take appropriate remedial actions with respect to its system of quality control and to engagements with significant deficiencies. As a general rule, it will also be required to have another off-site quality review within twelve months in these circumstances.

Once the reviewer has completed the report on your review, he or she must submit a copy of it to the administering entity within thirty days. Subsequently, you have thirty days to respond.

When the materials are received, they are examined by the applicable quality review committee to determine if the review has been conducted in accordance with standards and whether your firm's response is appropriate.

Take a bow

Statistics from the AICPA's quality review program show that during 1989, eighty-six percent of the reviews resulted in unqualified opinions and fourteen percent in modified reports. In addition, thirty-one percent of the unqualified reports were without letters of comment. Make sure you are in that preferred category. Start preparing now for your standing ovation. ☑

—by **Jodi Raynor**, *Texas Society of CPAs, 1421 W. Mockingbird Lane, Suite 100, Dallas, Texas 75247*

Editor's note: Ms. Raynor is a manager in the Texas Society's quality review department. This article is based on one that appeared in the March/April 1991 issue of Today's CPA. *We are grateful to the Texas Society for permission to use this material.*

All the World's a Critic

You too can become an off-site quality reviewer.

To qualify, you must

- ☐ Be an AICPA member.
- ☐ Be licensed to practice as a CPA.
- ☐ Possess current knowledge of applicable professional standards.
- ☐ Have at least five years' experience in the accounting or auditing function of an enrolled firm within the most recent ten years, culminating in a position either as a partner, proprietor or shareholder, or as a manager or person with equivalent supervisory responsibilities.

Reviewer application forms can be obtained from the AICPA quality review department.

Hints on Personal Marketing

If selling is getting a hit when you are up to bat, then personal marketing is the process of getting yourself up to bat. Personal marketing would be those activities that rely on the efforts of the individual, rather than the firm, to create opportunities for making sales presentations. The process should be continual because to get a hit, you may have to go to bat several times. If you stop going to bat, you lessen your chances, both with potential clients and with existing accounts.

There are a number of ways of getting to bat. Here are a few.

- ☐ Authoring articles can do wonders for your credibility and enable you to reach a large number of people. So, write some articles and get them published.
- ☐ Generate exposure by participating in seminars and meetings and by giving speeches. Become known by earning and accepting a leadership role in associations and other organizations.
- ☐ Instead of handing out your business card to acquaintances, ask for theirs instead. This way you make sure you obtain addresses and phone numbers and can initiate further contact.
- ☐ Compose an attractive, descriptive statement that you can use to respond to the question, "What do you do?" You want to describe your skills and specialties in a way that stimulates curiosity and further discussion.
- ☐ Train clients to give you leads and referrals. You can begin by targeting some accounts where you know clients have contacts. When clients are happy with the quality and timeliness of your services, they are only too pleased to help with introductions.
- ☐ Teach at local universities and colleges and at community colleges. These institutions frequently use guest lecturers, and the resulting exposure can help you develop credibility, a following, and leads.

Remember that the purpose of these activities is to increase the number of times you can get to bat, and that exposure will create opportunities. The idea is to set yourself apart from the crowd by engaging in activities that are both positive and different. ☑

—by **Mike McCaffrey,** *Mike McCaffrey & Associates, P.O. Box 4101, Laguna Beach, California 92652, tel. (714) 487-6616*

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